

STATEWIDE WATER ADVISORY GROUP MEETING SUMMARY
Meeting Number 8, August 18, 2006, 9:00AM to 3:00 PM

Introductions and review of August 4 meeting

Herb Dishlip informed the group that the objective is to refine what was already done and to finish discussion on the remaining topics. He stated this is the last workgroup meeting and we need to touch base on all the topics. The next meeting we will start to put it all together to see how they mesh. First, however, we are going to have presentations on statewide conservation and drought planning and then we will give a better idea on DWR's data collection, analysis and publication of the data.

II. Presentation by Rodney Held, Drought Conservation Manager

Rodney Held discussed the Governor's Executive order for a large drought planning effort. The Community Water System (CWS) plans contain: 1) Drought plan 2) Water Supply plan 3) Conservation plan. The executive order established the Governor's Drought Task Force in 2003 and outlined the principles of the plan. The Task Force also made recommendations on legislation. This included annual water use reporting by water providers statewide. ADWR is working with the local communities to develop drought strategies. Handouts were provided explaining the drought planning program & water system requirements.

Tom Buschatzke from the City of Phoenix asked if there was a list of members available regarding these groups and are there public meetings?

Rodney Held responded yes and the information was available on the website. He then introduced Marjorie Risk, Water Conservation Coordinator for the Statewide Water Conservation office.

Marjorie Risk said a statewide water conservation strategy is essential to a successful water system planning program. She added that states that are the most successful have a centralized conservation office. Handouts were provided along with the presentation and Marjorie reviewed program highlights on the back page of the handout. Marjorie mentioned the need for use of Best Available Technology (BAT) in water efficiency programs such as the Arizona Rinse Smart program, which was being implemented in Flagstaff and Payson. She said they now had an agreement to bring the Rinse Smart to the Phoenix Area. The Rinse Smart spray valve was demonstrated. Marjorie said it used 1.6 gpm, while most restaurants were using in excess of 3.0gpm. This represents a 40% savings. Based on the California program, even small restaurants can achieve a 50,000 gal/yr savings. She also discussed the results of a 17-city tour around the state in addressing water conservation concerns and education, conservation materials and programs available. Various programs were discussed that are associated with the conservation office, such as Arizona Rinse Smart and the very successful educational program Arizona Project WET. The Governor said in a 2005 Arizona Town Hall that she wants Arizona to lead the nation in school water education. Other program highlights include the requirement for Community Water Systems to submit System Water Plans to the Department. On the 17 city tour around the state and in the rural areas folks said they need help with drought plans, community water systems, and conservation plans. Initially, there was mixed response because of state agency distrust, but once they talked to them they believed the state was there to help. They said they needed help developing a conservation fact sheet and asked for an example they could use. The discussion closed with the need for financial assistance and a sustainable funding source. Marjorie said that we will help you develop plans if you let us know what your needs are.

Tom Carr mentioned the coordination of AMA programs statewide. He said that the AMAs have a conservation and augmentation fund, and that some of the Phoenix AMA funds were to be used for the Rinse Smart program in the Phoenix AMA. For the statewide program, there was no direct funding from the legislature, so DWR resources were redirected and we partnered with the Bureau of Reclamation, the Salt River Project and Southwest Gas. He said that House Bill 2277 included a data collection component and extended water reporting on a statewide basis.

Herb Dishlip asked if these programs could help support local communities. How can the programs be enhanced to help local communities?

Marjorie Risk responded there is a water efficiency EPA water sense labeling program information available. She added that it is similar to the Energy Star program. The program was going to look at irrigation equipment first. She said that we have information on the program at DWR's Information Central adding that the EPA's website also had information on the program.

A member of the group suggested that educational materials need to be more accessible to the younger generation and schools.

David Snider, a member of the Pinal Groundwater Users Advisory Council, said that they have embarked on a drought preparation plan and had formed a Local Area Impact Assessment Group (LAIAG). He said the LAIAG helps to pool all interested parties and it has been an enormous help.

Tom Carr said that the Department had received quite a few comments on increasing the availability of water resource information.

III. Data Collection and Analysis Programs

Tom Carr presented an overview of ADWR data collection programs. The ADWR Basic Data Unit collects data statewide and publishes maps. At least 18 people collect data annually from 1500 index wells. Three to six are intensively investigated basins every year so the overall number of measurements are nearly 4000. This water quality-testing program has recently been reinstated for 100 wells this year. The data is compiled, reduced and published in the Hydrologic Map Series (HMS) showing the direction of groundwater flow and groundwater levels. Thirty-four maps have been published over the years with 27 outside of AMAS. The Upper San Pedro, Aravaipa, Phoenix AMA, Navajo, Apache, & Coconino are in production. There is a complete listing in the bookstore. Although some maps are decades old generally, they remain valid except for the high growth areas.

We also publish groundwater monitoring reports (6 reports) for the Phoenix, Santa Cruz and Prescott AMAs water levels and water quality. We characterize changes over the last 6 years. We also put the data into the GWSI database, which is available through the bookstore. It has the water levels, water quality and time series well by well. Our Basic Data Unit has installed analog recorders at some well sites for recording data as well as transducers that automatically send data back to us. Although we still have to go out in the field, we now receive real time information from those wells with transducers. We work cooperatively with the USGS on stream flow measurements. DWR contributes \$273,000 for about 30 gauges. There are about 170 streamflow gauges throughout the state. Many cities, and tribes and other entities fund other sites. Other agencies also support these efforts. However, the cost of maintenance is substantial. There are 100+ Statewide measuring sites, we pay for about 30.

Joan Card with DEQ stated they also fund at about \$200,000

Greg Kornrumpf with SRP stated they spend about \$175,000 on Salt/Verde.

David Snider stated that Pinal County was partnering with the Tohono O'odham Nation.

Tom Carr stated the USGS published annual reports of groundwater withdrawals for every basin until 1992. This effort was restarted in 2005. The USGS cooperative program under the Rural Watershed Program is building water budgets and working on the geology and hydrogeology. The USGS, under Rural Watershed Initiative, initiated Verde River and Coconino Plateau studies.

For several years the Rural Watershed Initiative funding was cut, but as of last year it was restored. ADWR has begun cooperative studies with the USGS and USBR. New studies have been initiated in three basins in Mohave County, the Middle San Pedro Study, and the Willcox and Douglas groundwater basins. Without this information it is hard to do an analysis on the physical availability of a water supply. Bureau of Reclamation studies are also cooperative and usually involve 50/50 funding. Local areas usually contribute in-kind services and some cash. The Bureau just finished an appraisal level study for the San Pedro. The Coconino appraisal study just released examines groundwater well fields and transporting water from the Colorado River to Flagstaff, the Navajo Nation, Williams and the Grand Canyon. To move ahead now they must do a feasibility study that would need to be federally funded and authorized by Congress.

We also use satellite imagery & GIS to do crop inventory (crop census) in all AMAs except Prescott. ADWR has entered into a cooperative agreement for statewide imagery at 1-meter resolution. The imagery is used to determine crop acreage in production determine water usage. This helps to determine geographic water use and will also be used to map the Gila River

protection zone for the AZ Water Settlements Act. The Gila River zones needs to be completed every 5 years to monitor agriculture in settlement areas.

Another source of data are the annual water withdrawal reports in the AMAs, which has been collected since the early 1980s. Starting in April 2007, 1800 community water systems throughout state will begin filing annual reports. Currently, the AMAs receive reports for 9,000 – 10,000 IGFRs plus all municipal water providers. There is also good information available from Colorado River contractors per the 1968 decree. Another data source is from Adjudication reports for the past 30 years. They have done a full investigation of claims, and produced information on geology and water sources. They did Hydrological Survey Reports (HSRs) for the courts in the 1990s. While there have been major changes since then it is still good information.

The first two chapters of the Arizona Water Atlas are on the web in draft form. The Atlas is a comprehensive basin by basin description of all water resources including effluent reuse (from EPA and ADEQ). They also include water adequacy and inadequacy determinations by community and the reasons why there was an inadequacy determination.

ADWR groundwater models are very important tools. Depth to water, groundwater flow and geohydrological data are collected and put into models. Using these models we can make projections and show changes. It is a very important tool to show what happens if we change conditions.

Where can you get water information? Our goal is to publish more data. The data will be made available in the next 5 years published through our bookstore, web, transducer to web and web based annual water use reporting. We received \$500,000 to put in more transducers, increase automation and publish more information.

Greg Kornrumpf commented that he was glad to hear ADWR has more funding. He asked about Feds funding match.

Tom Carr responded that unfortunately the USGS doesn't have the money, it wasn't in the 3-year budget proposal, but we are asking for up to 30% of the cost. ADWR will likely have to fund the majority of the new studies.

Steve Olson said that there are problems with databases in models and asked how our databases matched up with rural communities? Where are the problems?

Tom Carr answered that in areas of growth such as Mohave County, etc. we don't have current information on groundwater or water use information that we need for modeling. Need to go back with new tools to get the data we need. We have more information in some areas such as the Coconino and we do have Middle San Pedro data. A lot of the more recent information has been collected by the federal agencies. Where we are short of information we are starting to gather it. This is a 3-5 year time frame, and it takes time and money. Steve Olson noted that there is a data gap because there was no annual water use reporting outside the AMAs.

Tom Carr responded that it is a fairly big hole. However, H.B. 2777 will provide long-term data collection from annual water use reports outside AMAs. Sometimes we also lack geohydrologic data and are missing data on usage. Agriculture should be able to be picked up through remote sensing. The USGS studies are helpful. The USGS looked at the Coconino well field for mining as well as looking at impacts on streams. We need more tools and data to determine hydro impacts.

Herb Dishlip commented there is the ability to collect data, but it needs to be timely and useable. What we heard from the group was that more information is needed. Is data the right kind? Are there any ideas to improve? The current method to request studies is ad hoc.

Bill Garfield stated the AMA models are somewhat outdated and the periphery of the models weak. Behind too. How far away are we from getting fully calibrated model to get accurate info? He added that modeling is a significant effort requiring time and resources. Will a statewide model be ready in ten years?

Herb Dishlip asked how would you establish priorities?

Bill Garfield responded what priority do you want? Hot spots and growth areas should be done first before statewide. The work has to be started especially if we are looking at 100-year timeline for communities that 20 years ago were small. Don't

know impacts if we don't have information. You already identified those areas based on population. But it is going to take 10 years or more.

Andy Laurenzi stated you already have your table and those areas in streams need to take that into consideration. Use these to prioritize and look at groundwater pumping and tie into stream flow. The groundwater models are the basic framework needed to understand and to manage.

Greg Kornrumpf stated another important component is the continued collection of data to keep models accurate. In order to calibrate the model you look at the past. Outside AMAs there is no continuous collection of data.

Herb Dishlip asked if he had any suggestions.

Greg Kornrumpf replied that he didn't have a special suggestion on how to collect data except maybe we need data at a greater frequency and a way for individuals to report use. All of this costs money.

Steve Olson asked what are we trying to manage for? An AMA manages for safe yield while the Assured Water Supply program manages for a 100-year supply. There is a difference between a 100-year model versus managing for contaminant plumes. Need to manage area differently for what information you need.

Herb Dishlip asked how do you go about that? What are your suggestions?

Tom Carr responded that we are a little behind the growth curve due to funding constraints. An example of innovative funding was a public/private partnership to model in the Hassayampa area. We have not been able to connect the Phoenix and Pinal models due to lack of funding. This demonstrates that we have modeling problems even in the AMAs.

Bill Garfield responded there never is an end to a model. It is a starting point for planning decisions that is constantly being refined as you go on. It is an ongoing financial commitment that is essential to have in place.

John Munderloh suggested that we make creating a model a mandatory requirement for an overlay district.

Herb Dishlip said this ties into Steve Olson's comment about knowing what you are managing for.

Bill Garfield questioned how an infrastructure district was going to establish needs if you don't know needs in a quantifiable way?

Herb Dishlip asked if this needs to be a priority?

Bill Garfield said that a model may not necessarily be a prerequisite to establish a district but it is one of the first things that a district needs to do.

Herb Dishlip responded that data collection should not be a penalty and suggested that the state should and could help with data collection, noting a linkage to collecting information for water adequacy studies.

Bill Garfield noted that we have relied on developers to help but thought that was of very limited usefulness. He questioned what are you basing your adequacy studies on?

David Snider stated there is a definite link between data and adequacy. When ADWR collects data it paints a regional rather than local picture. AWS rules are consumer protection too. Not having data sends message to the rural areas that we don't think you will develop so we are not going to put money into a study. Models are needed for critical land use decisions. As a state we are behind the curve.

Herb Dishlip stated that we still need to focus on priorities. What do rural areas really need? He said that John Munderloh had a good idea, but it was contingent on the formation of a district. He said we want less of an ad hoc program. We are never going to have unlimited funds, what are good linkages and feedback mechanisms? We can't build on a poor foundation. We need timely useful information. He asked the group jot down their ideas and said we needed feedback.

Small domestic wells – straw proposal

Herb Dishlip said that John Munderloh had put together a small domestic well straw proposal.

John Munderloh described his proposal (see attachment). Option 1A: Consumer Protection – Physical Availability Test. DWR determines how many exempt wells can go in area up to the physical availability limit (planned depletion). Look at the loop holes for an inadequate water supply, they will just lot split to get around. Option 1B: Physical and Legal Availability Test. John Sullivan (SRP) submitted the following comment: “The consumer protection issue goes beyond protecting the physical availability of groundwater users. ADWR should integrate a process to determine whether a well is subject to appropriation and require evidence of a water right if the well is determined to be impacting surface water sources”. Option 2 – Adhere to Regional Water Management Goals. A goal could be safe yield and exempt wells could not go into the area unless the district is in safe yield. If not in safe yield then well owners would have to offset use somehow, use some formula. If there was an augmentation district the exempt well owners would have to work with the District.

David Snider questioned as a point of clarification, in your model, would the owner of an exempt well do Option 1a, 1b or both 1 and 2?

John Munderloh responded that it would be a companion to water adequacy rules. Make 1b feather into Option 2.

Alan Stephens asked if he envisioned a transition period? Would this apply only to new exempt well owners?

John Munderloh responded that it would apply to new exempt well owners. A transition period would be dependent on how much information DWR has in a basin.

Alan Stephens asked how this would affect DWR’s work load.

Bill Garfield said he was looking at the practicality of the proposal and asked how it would work. 1) He asked if we were looking at exempt wells only adding that in an AMA an exempt well is limited to 35 gallons per minute but that the term doesn’t have much meaning outside an AMA and that impacts for larger wells would be greater. Will homeowners have to prove availability? Who will prove the availability? Also, what is the time period? Without models will we will have a problem determining availability. I agree information is needed. 2) For a homeowner who wants to drill a small well that is in excess of a DWR-determined water availability a challenge to DWR not likely to happen. 3) Option 1B. Pumping appropriable water. How’s it all going to work? There are possible unintended consequences; difficulties proving physical availability without a model is a problem outside AMAs, and cumulative impacts.

John Munderloh commented that a lot of details need to be fleshed out. Maybe business as usual until have models.

Joan Card questioned does this apply to subdividers of land only?

John Munderloh responded that this applies to lot splitters outside of DRE process.

Jean Calhoun from The Nature Conservancy said that if a water management district is in place we should focus models on extremely sensitive areas where we have stream data available and then update the model. Then we should place some restrictions on all types of wells.

Dennis Rule said that it would help if we clarified that these are areas outside of the tricity area. Then the comments of the group would be fairly minimal.

Steve Olson said that subdivisions drill wells to a certain depth, which is deeper than exempt well owners. Since you don’t have requirements the subdivision well depletes all other wells that were drilled to a minimum level. The proposal is okay as long as it is a requirement in the future not for existing wells. If you don’t have these requirements then hard to justify money to help small well owners whose wells go dry.

Andy Laurenzi asked if 40 acre ranchettes were exempt from any kind of adequacy. The response was that they were exempt. He thought that there should be a focus on the less than 40 acre lot splits. He said that physical availability was the

focus but he didn't think individual lot owners would be able to undertake an adequacy determination. He suggested approaching the problem at the initial point. Regarding Option 2 he said that DWR should be given the authority to declare an area as having an inadequate water supply and then require information to show otherwise. In other areas with adequate water supplies wells could be drilled.

A member of the group asked who would make the adequacy determination - DWR or districts?

Herb Dishlip stated DWR could have areas of concern. Paper district determines well drilling.

Dennis Rule said that regarding Option 2 – if the groundwater basin is safe yield, who makes the determination of that management goal? Is there some kind of augmentation authority? Is this a Top Down decision?

Herb Dishlip said that either the district or the state could identify areas of no wells. Or the state could map exception areas. He said that still, under the general rule, if you want a well you can get one.

Dennis Rule said that he was sensitive to safe-yield vs. not safe-yield and asked if the default was safe-yield?

Herb Dishlip stated even if it was not safe yield there could be some kind of limitation.

Andy Laurenzi said districts have more specific rules. He said that DWR could outline areas outside of districts and make a determination that they were non-safe-yield areas.

Dennis Rule asked if it would be possible to establish a district without a goal being identified beforehand?

Steve Olson questioned how you could manage a district without registering exempt wells, then there would be metering and then what? He said it goes the entire hierarchy in both directions.

Bill Garfield stated if a district is formed then all wells would likely be recognized.

Steve Olson stated another gap is trucked water; need to fill that gap too.

Herb Dishlip responded that if water was being trucked then there would be a well involved. He questioned when would it be inappropriate for an exempt well to be drilled and responded to his own question by saying, "Not often is what I am hearing". How would ADWR identify critical ground water areas or would it be by request from locals?

John Munderloh said that everyone thinks that a property right means you have the right to a well, adding that he thought that the Groundwater Management Act contradicted that. Property rights don't have to include drilling a well, they can still develop the land by getting water elsewhere.

Herb Dishlip asked if the group thought that ADWR should identify critical ground water areas or would it be a request from locals.

Brad Hill commented hard rock areas are simple areas to map and they are likely not sustainable areas.

Pat Call observed that there needs to be an awareness of the problem or the creation of a district won't happen. He said the creation of a district is a political process. What happens if locals say no but State says yes, there is a problem? In our area we have lots of water but we have no way of getting at how much is being used. A 100 year adequacy doesn't work. The problem is not water adequacy but how much pumping can be done before river levels drop. At what point do we stop the flow of the river? We don't know this without information on wells. We don't know how many people are on a well.

Herb Dishlip reminded him that this was about new wells.

Pat Call said that goes right to his point – how wise is it to drill new wells if we don't know about existing wells?

Herb Dishlip said that is why you have a bifurcated system. DWR collects the data and the local district manages.

Pat Call said if the state comes in and makes a determination of no more wells, then this creates another level of issues.

Herb Dishlip asked about the protection of riparian areas. Without a district then state determines?

Andy Laurenzi said that either we give the locals more tools and hope they step up to the plate. Some, even with tools, don't have the ability or the will to deal with the issue. If they won't, then position the state to leverage the local communities.

Pat Call was concerned about the state moving into an area and taking control. If the locals have the tools they can work it out.

Andy Laurenzi was concerned philosophically about putting water under local control adding that we don't do it with air. He thought this was a legitimate role for state involvement.

Steve Olson said that 25 – 30 years ago there was no problem but now we have population in those areas. If we can act today then homes in the future will be protected. I will be protected from all those little straws from affecting my water supply.

Herb Dishlip asked what do you think about state interest for consumer protection?

Pat Call said he was okay with consumer protection, but a traditional AMA would kill the San Pedro.

Tom Buschatzke questioned if goals established by district conflicted with ADWR regulatory responsibilities how would you address?

Herb Guenther said I am speaking for Apache County today and if the state comes in and tells me I can't drill well there is going to be problem. It would be very difficult for the legislature to do this. Therefore it will probably not happen. Regulating wells through a special district is for local people to decide. And for DWR to go out and measure water levels, not likely to happen. DWR would need to know where the well was and its capacity. We would need accurate information about what size is the pump and then we must assume it will be used at maximum yield.

Pat Call asked if you have a problem with the state coming in, would you be okay with local group?

Herb Guenther stated if it were a democratic process, yes.

Herb Dishlip reminded the group that this was for the people in the future.

Pat Call stated if metered you could at least know how much is being used.

Herb Guenther stated it is a logistical problem. Need a localized area from where to have water, not in critical area.

Pat Call stated you are not in favor of putting a meter on?

Herb Guenther stated I have a problem just keeping my well working, not worried about a meter. How do I know someone is reading it okay, meters are not easy.

Pat Call stated we might not need to meter every well. A statistical significant number is okay.

Herb Guenther said it could be a voluntary program.

Jean Calhoun stated that SRP meters mine and I am okay, technical is not the issue. It's political.

Herb Guenther stated that logistics in rural areas is difficult. For water hauling you need a common source and using a critical area would not be the way to go.

Steve Olson asked that when your well goes bad should taxpayers have the responsibility of fixing the problem?

Tom Carr stated let's focus on problems with domestic wells. 1) Payson – should exempt wells have the same limitations as town residents? 2) Prescott – Lot of exempt wells, limited water availability. 3) Wells close to stream areas. The problem areas are rather limited. Statewide measurement of exempt wells would not be practical. Do we have any proposals to address problem areas?

Andy Laurenzi stated that a captured well is very site specific and can get at them through special districts created in that area. Would like to solve ahead of time but realistically not likely.

Gretchen Kent stated if measuring is intrusive with an administrative overhead then how about monitoring groundwater levels using an index well array in the San Pedro. Then we will have a sense of the water levels. If we have a drop in the water table (e.g. 6") then issue a moratorium on well permits or implement water conservation measures or development becomes a function of existing wells. Use local district tools. Statewide would be more difficult without input from a district. Somebody commented that this makes the assumption that we have basin supply data.

Peter Culp said that if we regulate well by well then we don't need to regulate lot splits.

Herb Dishlip asked the group if they thought the focus should only be in conjunction with management districts. How important is consumer protection? Do we put limits on new well drilling? Statewide or local, who makes the decision?

Someone asked, "Regulate the well or the lot split"?

Herb Dishlip replied that only in cases of inadequate supply do we want to regulate lot splits.

David Snider said that he has consistently heard from the rural areas that they would like access to many of the tools the AMAs have but they don't necessarily want to be an AMA. The primary vehicle is to create a district at the local level; local control is what they want. Augmentation/paper district – on issue of local control is critical.

Herb Dishlip asked if that is okay if it sacrifices consumer protection?

David Snider responded that it is a local issue.

John Munderloh said that statewide consumer protection may not be necessary, but people who opt out need to know that they are on their own. Issue an exempt well permit with the condition that they don't come back to get help when the well runs dry.

Pat Call stated that it still depends on whether you are regulating wells or lot splits. Can we look at lot split issues also, maybe at the district/local level? Tom Carr asked if it was about lot splits or about well restrictions – in other words should development be limited by geographic area rather than actual lot splits. Pat Call said it all relates back to water.

Herb Dishlip asked any suggestions?

Andy Laurenzi stated if you reduce the lots splits to two or less you resolve the problem. If you want to get at it do it when they break the ranch up, prior to the wildcat. You have to look at the issue at the time of zoning. If you want to bring them into the county then you have to reduce lot splits.

Peter Culp stated we have reasonable consensus. It seems people agree on district/local imposed goals/regulations. Adequate Water Supply reference to goals. If locals can decide on the goal for the watershed we should adhere to what they want to do. If it is a goal, how do you implement it? Do you implement it through subdivision or through well, what happens if there is no goal? Does it matter if it is 5 or 3? If there is no goal what is the default rule? Do we wait for what the courts decide on the adjudication? Does DWR have some authority? Do we give DWR the ability to identify areas of hydrologic sensitivity?

Herb Dishlip said the focus should be on management of critical areas. Now, let's focus on a 100 year adequacy. Should a 100-year adequacy be in place only if there is a management district? Or should it be for all areas? Part of the reason for exempt well regulation is a 100-year adequacy.

Jean Calhoun said that there could be a timeframe for local areas to evaluate and determine if they want a district. Then, there could be an evaluation of the state for critical areas. If the locals cannot come up with a district then the creation of a district falls on the state.

Herb Dishlip asked about counties having tougher rules?

Andy Laurenzi asked about giving additional authority to counties and cities through the land use process. He said it is a halfway solution but a possible step in the right direction. Growing smarter ties growth to water. It would help on growth issues. Not having authority is a great shortcoming – there must be increased authority for the cities and counties.

Alan Stephens said the 100-year adequacy is an empirical standard while the criteria side is more subjective and political. He asked how do you make sure it doesn't become political?

Andy Laurenzi stated that it would become a political issue if it is done under Title 9 and 11 [Title 9 – Cities and Towns, Title 11 – Counties] He asked what is the state's role. Pat Call said he did not want the state controlling.

Herb Dishlip stated the revised straw proposal allowed cities and counties ability to adopt more stringent policies. The only deviation from DWR's standard to approve would be knowing that water project was coming.

David Snider stated AMA tools should be granted to county government and then spread to the watershed. Apply the tools locally. If there is more than one county then they could form a district.

Peter Culp stated it needs to be very specific about the definition of adequacy and criteria for approving based on criteria. The only real issue with the revised straw proposal is the regional water management goal and defining adequacy whether it is local or a coalition. If it defines a goal then that ties to adequacy.

Steve Olson stated he was still concerned about funding.

Herb Dishlip stated we'll leave the water adequacy straw proposal the way it is but we want comments.

Afternoon Session – Water Districts

Tom Carr stated we will reconvene as a whole group on September 8th, 2006. At that time we will have an expert on funding and a WIFA speaker for more information how to use funding and grants. It is possible that will also meet on September 22 if we are not done. Want to put subcommittee information that we are hearing into specific concepts. Then identify four or five people with legal backgrounds to look at existing law for changes needed, areas of existing law that might apply as is and policy changes. Have these legal people take concepts and formulate legislative language. Through the months of September and October Herb Guenther will tour the state to present the concepts and will come back in another group meeting with his findings. On October 6th we will come back with a plan if we have consensus and how to move forward. Then a follow up meeting to finalize recommendations. October 13th will be the conclusion of the first step. Hope to have this completed in November.

Joan Card mentioned October 6th conflicts with Western states and a university symposium. Tom Carr said we would email out notification of the meeting date.

Herb Dishlip stated what we will talk about first is the development fund, then formation of district and how to acquire water by district. The development fund for rural development is a good concept; something similar to WIFA would be good. Is there support for a state based water development fund?

Bill Garfield referred to WIFA, CWA as revolving funds adding that there should be more of a state entity managing the fund.

Herb Dishlip said this was modeled from Utah and Colorado.

John Munderloh said that so far we have only talked about a lot of sticks and said this is the only carrot, need to add to list.

Steve Olson stated we still need the stick but they should be connected.

Brad Hill said that those who benefit should be the ones who pay.

Herb Dishlip observed that if it is a loan then it gets paid back.

Brad Hill said there needs to be some seed money then it could be a revolving fund.

Andy Laurenzi said that he favored a mineral severance tax.

Bill Richardson said Phelps Dodge would support water a water development fund if a mineral development tax was excluded. He agreed with Brad Hill that those that who benefit should pay. Lee Wilkening (Manager, Water Rights Program, Phelps Dodge) submitted email comments: "Phelps Dodge generally supports the creation of a Statewide Rural Water Development Fund depending on how the fund is established and what funding mechanisms are used. We would support the use of general funds, user fees, and/or revenue bonds, but not general obligation bonds, mineral severance taxes and/or real estate taxes."

Andy Laurenzi said that it could be part of your water bill. He observed that statewide would include the AMAs.

Tom Buschatzke said that since the AMAs don't benefit you should keep money outside the AMAs

Ron Doba said that we should remember that water in AMAs originates outside of AMAs.

Herb Dishlip asked if there should be a fee imposed.

Maureen George agreed with the concept that people who benefit should pay and agree with a revolving fund. She thought that there should be a general appropriation to start the fund. She didn't think it would be as easy as just putting on a water bill because it is not easy to get fees through the ACC.

Bill Garfield stated some costs such as franchise fee and sales taxes are able to be passed through, but not all. Groundwater taxes cannot be automatically passed through at ACC.

Andy Laurenzi asked why some are pass through.

Bill Garfield said he didn't know why.

David Snider stated that the use of CAP water not an automatic pass through.

Herb Dishlip asked Steve Olea about water use fee? He noted this was not an automatic pass through. The water company would then make case for passing on costs in rate process. If it were part of sales tax, then it would be passed through. Sales tax on water bill in on whole bill. Herb Dishlip suggested that w have the lawyers look at it.

Bill Garfield commented that ADEQ monitoring is mandatory, providers are assessed a bill by ADEQ, but it is not an automatic pass through to the consumer.

Andy Laurenzi questioned is that statute or constitution?

Herb Dishlip said a sales tax might solve the problem. How do you assess sales tax, is it on total bill?

Bill Garfield answered that is was on the total bill.

John Munderloh commented that the property tax for CAP seems to work and asked about the CAWCD process.

Herb Dishlip responded they are like a district.

John Munderloh asked if the district could collect fees?

Herb Dishlip asked how does it get back to the state fund. In that case, the providers may as well keep it as opposed to borrowing it. That's why cities in the AMAs don't want to pay.

Andy Laurenzi asked is there any situation where AMAs would want to pay?

Dennis Rule responded that you're asking urban areas to pay for rural growth because the general fund would essentially result in funding from the AMAs. We could support a short term loan fund where it is paid back.

Steve Olson said to make sure there is a return to us [AMA cities].

Warren Tenney suggested a bottled water tax.

Herb Dishlip stated money to the general fund is different than a tax on water users in an AMA.

Dennis Rule suggested seed money that would then be repaid out of interest. That way it stays with the concept of who benefits is who pays.

Jean Calhoun asked about benefits to riparian areas? Part of the fund could be used to protect resources that benefit cities, i.e., recharge areas.

Tom said that he thought that our mitigation efforts are already paying off.

Herb Dishlip questioned how much money do we start with? Tom Farley suggested \$50million in his comments.

John Munderloh suggested \$400 million and explained how he came up with that amount: rural population is 20% of CAP area population. Therefore 20% of CAP's \$4 billion cost equals \$400 million.

Steve Olson asked about a revolving fund or a grants fund?

Herb Dishlip responded that he had heard both.

Bill Garfield said that if it is set up like WIFA, it works, then it loans money at lower rates with a smaller amount, less than 10 percent, for grants. Grants are typically for smaller projects, for disadvantaged communities.

A member of the group said that grants are mostly for planning projects.

Andy Laurenzi referred to Bas Aja's argument to designate water supply areas and limit development in those areas. Therefore, this was not strictly a rural supply option. He [Bas] said too much here not enough there, so move it around. So we will start transporting water. Maybe we should start to look at some areas to protect, e.g. ranches. AMAs may then have some access to the water. This would start to "zone" the state.

[Bas Aja was not in attendance, he has offered this written response: Our support or opposition for the "district" idea depends on the tools, management, investment and flexibility of the program. We are looking for management tools to be identified and invested in and less so in a regulatory heavy one size fits all solution.]

Val Danos said that regarding WIFA grants, the state constitution says the state can't give a gift of government funds.

Steve Olea stated they have been giving grants.

Joan Card stated that if it benefits the public it is not considered a gift.

John Munderloh said that seed money is needed for staff for first year.

Carol Klopatek asked about federal funding.

Lori Faeth responded not to rely on that since federal funds are drying up.

Steve Olson asked about cost share where a local entity could put up part of the money.

Herb Dishlip questioned how much should be revolving adding that grants could be for crucial small items. What about folding the fund into WIFA or create another agency?

Warren Tenney said that he preferred not to create another agency. WIFA is a good place to start.

Bill Garfield stated WIFA already at work on CWA, recharge and recovery, adding that it could fit it if their role was expanded. WIFA is chaired by ADEQ, DWR, Department of Commerce, and Counties. It is a mix of different private/public entities.

Herb Dishlip questioned would we be overloading WIFA?

Bill Garfield said they already deal with rural areas. Flagstaff borrowed money. There is one concern though, because they get state match to federal dollars. There is always a concern that the legislature may sweep the dollars.

John Munderloh said he didn't think it would diminish as a result.

Herb Dishlip stated I don't want to overload the group with a new set of problems.

Joan Card said that she didn't think it would be a problem and that with a few tweaks it could work

Dennis Rule said that since ADWR was a regulatory agency it should not be involved.

Tom Carr discussed Utah model and their \$500M project. For that project a local district raised money through impact fees. Water sales accounted for one third of the money, state sales tax paid for one third, which was a loan. A state appropriation would be paid back over 50 years – a longer term. District pays everything back.

Herb Dishlip said that if were a statewide tax that would mean that the AMA cities and towns would be able to use. He said it was still difficult to do a sales tax.

Maureen George said that Arizona is not set up like Utah. Utah has had those districts for a long time. Not practical in Arizona.

Herb Dishlip questioned what should money be available for? One problem is big cities could also take advantage. What type of cost should/shouldn't be allowed? Staff, construction loans, interest buy down?

Bill Garfield said that it could be used to buy down interest rate or create interest rate discounts much like WIFA.

Jean Calhoun said that the money could possibly be used for water resource protection for certain areas, perhaps through conservation easements. It depends on surface water hydrologic connections. Need to protect properties overlying aquifers to protect the areas.

Tom Buschatzke mentioned environmental compliance in the future. He asked if it could be used for the purchase of water rights or infrastructure? He was concerned about this.

Greg Kornrumpf responded that he definitely favored water rights acquisitions.

Tom Buschatzke stated concern over competition for water rights if we are funding our competition. If the City of Phoenix must go out and purchase water rights than we would be in competition.

Public member stated that a conversation with WIFA would answer questions and fill holes. Source protection is already okay under drinking water revolving fund.

Steve Olson said he did not want to fund local distribution infrastructure to homes. Should funding pay for local distribution systems?

Bill Garfield said that WIFA prioritizes projects. Looks at level of impact. People compete for funding each year. We would need some sort of priority criteria. To take into consideration for impact WIFA currently bases it on "ready to proceed".

Herb Dishlip asked about criteria for selection?

Bill Garfield said that WIFA prioritizes but their methods should be improved. They weigh benefits/costs. They rank systems on the basis of readiness to proceed (but this may not be the best way).

Herb Dishlip said that he was sure that ranking will occur. He asked if the ranking should have statutory criteria or leave it up to board?

Brad Hill said that the first ranking should be those that have already done conservation measures.

Bill Garfield said he would assume it would be a revolving fund.

Warren Tenney said to condition it on the formation of district.

Bill Garfield said that wasn't his understanding, and gave Flagstaff as an example. They should be able to go to the fund and compete, not just because a district was formed. That is more a vehicle to do what individuals cannot do. But individuals should also have access. District serves purpose where individual can't.

Herb Dishlip asked what about limiting to government, city, town, and district. District could cover private entity.

Bill Garfield said that WIFA doesn't limit that way but the rates are different. In the rural areas there are probably more private entities than cities so to not include the private entities would be a mistake.

Herb Dishlip asked what if the private entity was not member of the district.

Bill Garfield said that we still have to assure the loan will be repaid. The district concept will be more effective at solving regional problems.

Maureen George stated entity borrowing should have conservation measures in place. Access should be more tied to management goals. If a city decides on management goals they shouldn't be penalized.

Jean Calhoun said that instead of tying funding to a district; tie it to sustainable water management.

Dennis Rule reminded the group of the difference between a water management district and an infrastructure funding district adding that without a management district how do you determine sustainability? It is fairly complex. How do you determine if an individual qualifies? The carrot and stick must come together - we need a district.

Sandy Fabritz-Whitney asked about designated providers with a 100-year adequacy?

Andy Laurenzi responded by saying that adequacy is not tied to protecting rivers and streams. Do you just give someone a subsidy? He stated the need for regulation to go with the carrot. WIFA is regulatory. They need to show they're getting their house in order. Must come up with a standard to show we have done everything we can. For the Payson areas you could say 15% is reserved for areas outside water districts and that have met or established criteria.

John Munderloh said he thinks entities can show they are being responsible. Could make the fund available to anyone if they had Best Management Practices in place and have done everything they could.

Yvonne Hunter questioned who would decide if they met the obligation of their BMPs - ADWR? What if somebody challenged ADWR's decision? Is there an appeal process?

John Munderloh stated that these details could be sorted out. DWR has recently done this for AMA providers. Look at how they do on a case-by-case basis.

Jean Calhoun asked if the BMPs would include appropriate growth management? It is the issue!

Dennis Rule said that in order to get CAP we had to buy into the AMAs, safe yield, Assured Water Supply, and capping water rights. How do you determine if you reached a standard in order to get a loan? You shouldn't use state funds.

Herb Dishlip said that we will put together a proposal.

Districts

Herb Dishlip started the discussion by asking if you could have one district without the other and if you could combine the two into one district.

Bill Garfield said that you could do both under one district.

Herb Dishlip said that if it was a taxing district then they would have to be elected.

Maureen George said that she thought that one district would be sufficient. It would be on a ballot and that would say what authorities would be exercised. It should have voter approval. The district would say what it is responsible for. The District would have supervisors. The District needs elected officials for accountability. Should the district board be voted for and then make decisions or should there be voting for decisions?

Tom Carr said that it is one thing to have a vote to create a district versus voting in a board of directors. You must have a voted in board of directors if it is a taxing district.

Bill Garfield stated that if you have a high population area they could potentially incorporate a small community with its water resources. The Election is for the nuts and bolts district. Once a district is formed the board could authorize the other parts such as establishing groundwater rights. They would not need voter okay for that.

Carol Klopatek questioned what if Payson wants to opt out?

Herb Dishlip responded city could not opt out if were an election.

Carol Klopatek said, for example, if the city has 60% of the water but not enough voters, the district could control.

Buzz Walker already has it his own way and he doesn't want a district taking his water.

Tom Carr said it is like SRP and CAWCD; SRP pays in lieu property taxes since it is in the CAWCD district.

Bill Garfield responded by saying that the CAWCD was set up by the legislature. If two or three counties are in a basin then all three counties must have an election. What happens if one county did not authorize the district but the other two did?

Herb Dishlip said that only the citizens inside the district boundary would be able to vote but it is the county that calls the vote.

Herb Guenther said this is exactly the issue – the problem of a water rich area with a low population.

Andy Laurenzi said that is what this is all about. If Sierra Vista were to get this authority then they will go looking for more water. In a democracy the area with more population is the area that wins. More money wins.

Bill Richardson said that if adequacy rules are implemented that will take care of the needs. If you create districts with taxing authority, you will have problems with large landowners. The point is that if you have a state fund and water adequacy

regulations that focus on areas in need, then you probably don't need districts. Fund and water adequacy program may be all you need.

Lee Wilkening [Manager, Water Rights Program, Phelps Dodge Corporation] submitted email comments: "We have very serious concerns regarding the proposed special water districts. As you know, special districts have been very controversial and will continue to be rejected by major rural water stakeholders such as ourselves. We recommend that we give the rural water development fund a chance to address some of the immediate needs regarding rural water issues and dependent upon the results begin a more thorough discussion of whether or not to create any type of special water district."

Colonel Jonathan Hunter stated at first we said tools were the problem, now we're talking about obtaining water from others. What do the counties need to manage their problems? Maybe we take an incremental approach through a pilot program that uses tools. There is a clock ticking in our area.

Pat Call said that taking water from Douglas is not needed. We can move water around in our own basin without taking someone else's water but it is very expensive. We need funding assistance.

Maureen George objected to another layer of government. If a district isn't formed then give the cities and counties the tools. Funding should also be available to locals.

Pat Call said that if there is not the political will to create a district then he doubted that the elected officials would call for a vote.

Maureen George questioned why do you need a district if you can do at the city/county level? Tell the cities and counties, you have so much time to establish your management goals, if you don't than DWR will do it.

Pat Call said that he didn't disagree, but it stops at city limits or federal installation. People decide if they want a district. He added that they have four cities and the unincorporated areas and a district is what is needed.

Andy Laurenzi said that this has been driven from the outset by the need for supply and we have to balance this tension. For many a district is a step too far. A district is multi jurisdictional in nature. On the flip side, you won't solve the problem with another pipe. We need to find a way to balance in San Pedro - district or cities and counties. Give folks an option to create a district and not have it be mandatory.

Yvonne Hunter stated if area is not using best management practices, the carrot could be to partner with others to create carrot and stick.

Herb Guenther said that if you want goals then it has to be a group effort. We must all go the same way. You can have some options on tools but as far as setting goals, it must be unanimous. It must be the majority of the people otherwise you might not get there.

Warren Tenney said there are three or four hot spots in the state. Are they in need of a water management district or a development district?

Herb Dishlip responded that once you start a management district you also need a financing district.

Warren Tenney said that he is reminded of multi jurisdictional district legislation from few years ago. It was very difficult. There are needs for infrastructure across the state. You need to go back to the idea that local areas want some tools. It can be through a management overlay district or you could give more authority to the counties. Then you could come up with some creative ideas about infrastructure. He said that the multi jurisdictional leg is very difficult to get everyone on board in local areas.

Herb Dishlip said that if you have a district it should be an overlay. He asked if it should start with a management district.

Warren Tenney asked which one should come first - which one really helps with the hot spots?

Bill Garfield said that rather than an overlay district perhaps you could legislatively establish a local, AMA-like management area. Identify the hot spots and establish management goals for the local management area. He said that it would not be done by vote but by legislation. There is some management responsibility for those areas.

Herb Dishlip asked if that wasn't like an overlay district. He added that he thought that Bas Aja indicated that he would go along with a district if there could also be some assistance.

Yvonne Hunter stated if we're looking at legislation start with Growing Smarter. Growing Smarter has tools to manage growth with water use and conservation tied to it.

Bill Garfield said that what he is hearing is local control with some management responsibility for those areas.

Yvonne Hunter said that what Bill is proposing relates to some of the growing smarter discussion. Maybe we need to look at Growing Smarter as a starting point. Growing Smarter has some of the tools to manage growth. Water use and conservation are tied to it.

Steve Olson said that he was concerned about too much local control that may not look at regional impacts. An example is the impacts on downstream users such as SRP.

Carol Klopatek said this could become the Hatfield's and McCoy's if there were different management goals.

Dennis Rule said that the county has experience with giving local cities too much authority. We need to look at how to establish districts statutorily. If you choose to do something is it really a stick?

Maureen George said that it has to be a stick. Then if you don't do it, DWR has to step in. If entity is going to regulate, they have to consider other downstream users. If you don't comply after a certain time, it defaults to AMA type authority. Legislation gives the tools and a period of time to do it.

Tom Carr said that at a minimum a management district would need to establish a management goal, water adequacy rules, then well spacing, etc.

Andy Laurenzi asked what the nuts and bolts of a district would look like.

Herb Dishlip said that districts are not imposed, but elected. The fundamental question is do we need a district?

Steve Olson questioned what is a sensitive area?

Andy Laurenzi said that the San Pedro struggles with the multi jurisdictional issue. It takes the exempt well problem to another level. Hydrological units within multi jurisdictions need a district – it is the only way to go for the Verde and San Pedro. Maybe not for Mohave.

Carol Klopatek said that sensitive areas were not mentioned in the straw proposal.

Steve Olson asked what is a "sensitive area"?

Herb Dishlip asked if districts should be created locally or be imposed.

Andy Laurenzi said whether the district was imposed or they were given a set of tools – he would prefer the latter. He thought we were looking at optional district formation. The San Pedro and Verde have been dealing with issues for a long time and are prime for this. A lot of people will have something to say about an optional district.

Herb Dishlip said that he liked that Maureen's proposal had a management goal objective. Her proposal said ultimately to create a district. But either top down or bottom up? If you create your own (bottom up) you will probably have more flexibility.

Andy Laurenzi said that everyone would want to be at the table unless it's about a specific area (San Pedro, Verde).

Herb Dishlip asked about needing a new district?

Andy Laurenzi said to go back to the legislature and propose that the state create districts for San Pedro and Verde.

Pat Call said there were many holes, but he was not sure what the answer was. Decisions made at the state level are scary. Who sets the parameters at the state level for the regions?

Andy Laurenzi said now it is nuts and bolts. This would put a line on the map.

Pat Call asked if this would be a pilot?

Andy Laurenzi said yes, probably San Pedro since it was the most ready at this point.

Herb Dishlip said that it wouldn't have to go to a vote.

Andy Laurenzi said that would eliminate a lot of people because it is only the San Pedro.

Dennis Rule said that it could fall along the lines of a subsequent AMA but said in these specific areas locals can create a district and set their goals. If across the board, across the state, it would bring in many other people and interests.

Herb Dishlip said that we don't want to be back here in two years because we made this too narrow. Do both, solve hot spots and create opportunities.

Andy Laurenzi said that if the San Pedro worked then it would be easier to change the law. It lets people see it that it works.

Tom Carr asked if we were still extending adequacy across the state.

Andy Laurenzi said this laid out a good framework.

Tom Carr said that statewide, the adequacy rules don't create water for subdivisions. Do we still want this statewide?

Andy Laurenzi said that piece-by-piece doesn't get you there. Narrow the discussions to specific districts so that others don't treat it like something that will be used for them. Don't specify tools. Have the state designate the special district with goals that is run by the locals who know what their issues are.

Alan Stephens said to give the counties more authority on subdivisions.

Pat Call asked what if locals don't like the goals.

Herb Dishlip replied that it is run from the bottom up, not state imposed.

Maureen George stated Mohave County is at the growth management table. There is a difference between groundwater vs. a stream. Why do we need a district when the county controls the whole area?

Pat Call said that we were talking in circles. He said 1) Counties ought to have more tools 2) Management district was useful at times 3) San Pedro as pilot. We need a fair degree of flexibility to address a variety of unique issues.

Tom Buschatzke said that the pilot intriguing, but where does that leave us in terms of access to infrastructure funds?

Herb Dishlip stated let's see how all these pieces fit together and how they don't.

Carol Klopatek wanted to know why it was limited to subdivisions. Could it be expanded to mining?

Herb Dishlip said that if it fits into the discussion, bring it up.

Herb Guenther called to the public and there was no response so the meeting was adjourned.